

SURREBUTTAL TESTIMONY AND EXHIBITS OF
DANIEL F. SULLIVAN
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2019-290-WS

IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR
APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Deputy Director of the Audit Department for the Office of Regulatory Staff (“ORS”).

Q. DID YOU FILE DIRECT TESTIMONY AND EXHIBITS RELATED TO THIS PROCEEDING?

A. Yes. I filed direct testimony and ten (10) exhibits with the Public Service Commission of South Carolina (“Commission”) on January 23, 2020.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony filed by Blue Granite Water Company (“Company” or “BGWC”) witness DeStefano on February 6, 2020 in regards to several ORS adjustments. Specifically, I focus on:

- ORS Adjustment 16a – Rate Case Expenses
- ORS Adjustment 18 – Rent

- ORS Adjustment 21e – Remove Legal Expenses – Outside Services – Other
- ORS Adjustment 34a – Unamortized Balance for Deferred Maintenance

In addition, I updated Surrebuttal Audit Exhibits DFS-1 through DFS-10 to reflect changes made by me, as well as, ORS witnesses Briseno, Parcell and Sandonato.

Q. DOES ORS AGREE TO UPDATE RATE CASE EXPENSES FOR POST-TEST YEAR COSTS RELATED TO DOCKET NOS. 2018-358-WS AND 2018-361-WS?

A. Yes. Company witness DeStefano proposes to increase rate case expenses by \$16,132 for post-test year costs related to Docket Nos. 2018-358-WS and 2018-361-WS. ORS was provided the invoices to verify the transactions on DeStefano Rebuttal Exhibit No. 2 and was able to do so with no exceptions. ORS Adjustment 16a to amortize rate case expenses in the amount of \$61,813 reflects the inclusion of these costs amortized over a three (3) year period.

Q. DOES ORS AGREE WITH THE COMPANY'S PROPOSAL TO INCREASE RENT EXPENSE BY \$18,568 FOR EMPLOYEES OF THE CHARLOTTE OFFICE?

A. No. Company witness DeStefano proposes to increase rent expense by \$18,568 for employees of the Charlotte office that the Company asserts support BGWC operations. According to witness DeStefano, allocation of the Charlotte office rent expense was not included by the Company in its application out of simplicity.

ORS's rent expense adjustment of \$84,839 does reflect a reduction of \$11,019, to correctly allocate lease expense for two (2) employees in the Greenville office that are assigned to the Atlantic Division, whose duties are only 34.94% applicable to BGWC. However, the Company did not include amounts for the Charlotte office in its application as noted previously. Company witness DeStefano's rebuttal testimony is the first time the

1 Company has asserted that employees of the Charlotte office perform services for BGWC.
2 Amounts and calculations on DeStefano Rebuttal Exhibit No. 3 have not been analyzed or
3 verified by ORS due to time constraints created by the Company failing to propose this
4 allocation through its application. To verify the calculations on DeStefano Rebuttal Exhibit
5 No. 3 ORS would need the time to ask additional questions and send discovery requests
6 for information to the Company. The Company failed to include the Charlotte office
7 allocations in its application and failed to provide them to ORS with sufficient time to
8 analyze and audit the expenses. ORS established cut-off dates by which the Company was
9 obligated to give ORS data on items for which the Company seeks recovery. By providing
10 this data after the cut-off date, the Company has prevented ORS from conducting its usual
11 audit on these expenses. As a result, it would be unreasonable to allow the Company to
12 recover expenses associated with the Charlotte office allocation.

13 In addition, if allocation of the Charlotte office rent expense was not included by
14 the Company due to simplicity, and the entirety of the Greenville office rent expense was
15 allocated to BGWC due to simplicity, then one may ask whether the entire Charlotte office
16 rent expense was allocated to Carolina Water Service of North Carolina in its most recent
17 rate case Docket W-354 Sub 364. If that is true, allocating rent expense for the Charlotte
18 office to BGWC would enable Utilities Inc. to recoup more than 100% of the actual rent
19 expense for that office from its customers.

20 In summary, ORS is not able to fully analyze or verify that rent expense for the
21 Charlotte office should be allocated to BGWC since the Company did not propose an
22 adjustment in its application and ORS was not afforded the time necessary to fully review

the Charlotte office for inclusion in this docket. Therefore, ORS does not agree to increase rent expense by \$18,568.

Q. DOES ORS AGREE WITH THE COMPANY TO INCLUDE \$7,203 OF POST-TEST YEAR LEGAL EXPENSES FOR ACTIVITY RELATED TO THE TEST YEAR?

A. Yes. Company witness DeStefano proposes to increase legal expenses by \$7,203 for post-test year costs that were incurred during the test year. ORS was provided the invoices to verify the transactions on DeStefano Rebuttal Exhibit No. 2 and was able to do so with no exceptions. ORS Adjustment 21e to remove legal expenses from outside services in the amount of (\$15,008) reflects the inclusion of these costs.

Q. DOES ORS AGREE WITH THE COMPANY TO INCLUDE THE UNAMORTIZED BALANCE OF THE DEFERRED TANK INSPECTIONS IN RATE BASE?

A. No. Company witness DeStefano believes it is appropriate to include the unamortized balance of the hydrotank inspections in rate base. Mr. DeStefano's rationale is that the Company funded the costs upfront for a benefit derived over multiple years so therefore the cost of inspections is akin to a prepaid item, and analogous to a traditional capital investment.

ORS agrees the Company incurred the costs of the hydrotank inspections and should receive recovery of those expenses. ORS recognizes this by the inclusion of 1/5th of those costs in the calculation of ORS Adjustment 9a, which is consistent with the adjustment proposed by the Company. ORS does not agree that the hydrotank inspections should be treated as a prepaid item or a traditional capital investment, for several reasons.

1 First, the hydrotank inspections are maintenance expenses and not capital
2 investments. Capital investments are traditionally included in rate base whereas maintenance
3 expenses are not.

4 Second, ORS's exclusion from rate base of the unamortized balance for these
5 maintenance expenses is consistent with the treatment by the Commission in prior dockets
6 as referenced in my direct testimony. Commission Order No. 2015-876, in Docket No. 2015-
7 199-WS, the Commission approved ORS's proposed Adjustment 16 which removed
8 deferred charges of \$274,267 from rate base. Those charges consisted of expenses for
9 litigation and deferred expenses for tank inspections. ORS proposed recovery of those
10 charges through an expense amortization and did not propose to include a return on those
11 charges. The Company also agreed to ORS's treatment of those tank inspections in that
12 docket by agreeing to a settlement amongst the parties. My direct testimony also references
13 Docket No. 2017-292-WS, in which the Commission ordered the deferred maintenance
14 expenses be excluded from the calculation of rate base, and Docket No. 2018-257-WS for
15 Kiawah Island Utility, Inc. in which the Commission allowed the inclusion of the
16 amortization of tank painting over five (5) years but excluded the unamortized balance from
17 rate base.

18 Third, the amortization of the hydrotank inspections also serves as a normalizing
19 adjustment. Including the entire costs of the tank inspections in expenses for the
20 determination of the revenue requirement in this docket would not be fair to customers as the
21 costs for the tank inspections will not be incurred on a yearly basis. Nor would it be fair to
22 the Company to exclude all the costs associated with the tank inspections although they will
23 not be incurred every year. Therefore, the reasonable approach is to allow the Company

1 recovery of the costs associated with the hydrotank inspections over a five (5) year period
2 since they are performed every five (5) years based on the rebuttal testimony of Company
3 witness DeStefano. This is the proper treatment to determine the revenue requirement.
4 Although the Company does not recover the entire costs of the hydrotank inspections in one
5 (1) year, they do recover the entire costs of the inspections over a five (5) year period. Thus,
6 it is not necessary to include the unamortized balance of the hydrotank inspections in rate
7 base for the Company to recover the entire costs of the inspections.

8 **Q. DID ORS UPDATE ANY OTHER ADJUSTMENTS AS PART OF SURREBUTTAL**
9 **TESTIMONY?**

10 **A.** Yes. ORS updated adjustments affected by the changes discussed by ORS
11 witnesses Briseno, Parcell and Sandonato in their respective surrebuttal testimonies. ORS
12 also updated all fall-out adjustments based on the updates made by ORS as a result of the
13 Company's rebuttal. These adjustments include gross receipts taxes (ORS Adj. 26b), state
14 (ORS Adj. 28) and federal (ORS Adj. 27) income taxes for accounting and pro forma
15 adjustments. ORS also updated revenues (ORS Adjs. 40, 41 and 42), uncollectible accounts
16 (ORS Adj. 43), gross receipts taxes (ORS Adj. 44), state (ORS Adj. 46) and federal (ORS
17 Adj. 45) income taxes, and customer growth (ORS Adj. 47) for ORS's proposed
18 adjustments. In addition, ORS also updated Surrebuttal Audit Exhibit DFS-10 that details
19 the operating experience, rate base and rate of return using the Company's proposed rates.

20 **Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR SURREBUTTAL**
21 **TESTIMONY.**

22 **A.** I have attached the following exhibits to my surrebuttal testimony to reflect the
23 updates made by ORS:

- 1 • Surrebuttal Audit Exhibit DFS-1: Operating Experience, Rate Base and Rate of Return
- 2 for Combined Operations – Water and Sewer Service Territory 1 and 2
- 3 • Surrebuttal Audit Exhibit DFS-2: Operating Experience, Rate Base and Rate of Return
- 4 for Water Service Territory 1
- 5 • Surrebuttal Audit Exhibit DFS-3: Operating Experience, Rate Base and Rate of Return
- 6 for Water Service Territory 2
- 7 • Surrebuttal Audit Exhibit DFS-4: Operating Experience, Rate Base and Rate of Return
- 8 for Sewer Service Territory 1 and 2
- 9 • Surrebuttal Audit Exhibit DFS-5: Explanation of Accounting and Pro Forma
- 10 Adjustments
- 11 • Surrebuttal Audit Exhibit DFS-6: Depreciation and Amortization Expense
- 12 Adjustments
- 13 • Surrebuttal Audit Exhibit DFS-7: Computation of Income Taxes
- 14 • Surrebuttal Audit Exhibit DFS-8: Cash Working Capital Allowance
- 15 • Surrebuttal Audit Exhibit DFS-9: Return on Equity
- 16 • Surrebuttal Audit Exhibit DFS-10: Operating Experience, Rate Base and Rate of
- 17 Return for Combined Operations, Water and Sewer Service Territory 1 and 2
- 18 Reflecting the Company's Proposed Increase

19 These exhibits were either prepared by me or were prepared under my direction and
20 supervision in compliance with recognized accounting and regulatory procedures for water
21 and wastewater utility rate cases and previous Commission Orders. These exhibits show
22 various aspects of BGWC's operations and financial position.

1 **Q. WILL YOU UPDATE YOUR SURREBUTTAL TESTIMONY BASED ON**
2 **INFORMATION THAT BECOMES AVAILABLE?**

3 **A.**Yes. ORS fully reserves the right to revise its recommendations via supplemental
4 testimony should new information not previously provided by the Company, or other
5 sources, becomes available.

6 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

7 **A.**Yes, it does.

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	11,868,922	280,468	(1) 12,149,390	3,813,184	(40) 15,962,574
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	4,576,843	(41) 16,011,097
Miscellaneous Revenues	445,566	4,043	(3) 449,609	66,265	(42) 515,874
Uncollectible Accounts	(250,471)	(7,644)	(4) (258,115)	(88,624)	(43) (346,739)
<u>Total Operating Revenues</u>	22,993,950	781,188	23,775,138	8,367,668	32,142,806
<u>Maintenance Expenses</u>					
Salaries and Wages	2,670,783	(1,344,062)	(5) 1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6) (259,809)	0	(259,809)
Purchased Power	771,660	0	(7) 771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	3,158,206	(8) 8,424,930	0	8,424,930
Maintenance and Repair	3,031,412	937,334	(9) 3,968,746	0	3,968,746
Maintenance Testing	314,455	(174,416)	(10) 140,039	0	140,039
Meter Reading	112,607	(72,815)	(11) 39,792	0	39,792
Chemicals	360,819	(99,043)	(12) 261,776	0	261,776
Transportation	238,985	(118,674)	(13) 120,311	0	120,311
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	12,434,022	2,360,144	14,794,166	0	14,794,166
<u>General Expenses</u>					
Salaries and Wages	871,623	538,807	(14) 1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,564,724)	(15) 416,007	0	416,007
Regulatory Commission Exp.	138,293	61,813	(16) 200,106	0	200,106
Pension & Other Benefits	779,623	(165,041)	(17) 614,582	0	614,582
Rent	97,022	84,839	(18) 181,861	0	181,861
Insurance	348,323	163,371	(19) 511,694	0	511,694
Office Utilities	491,952	(98,634)	(20) 393,318	0	393,318
Outside Services - Other	1,062,984	(188,889)	(21) 874,095	0	874,095
Non-Utility Misc Expense	442,691	(442,691)	(22) 0	0	0
Miscellaneous	61,301	4,566	(23) 65,867	0	65,867
<u>Total General Expenses</u>	6,274,543	(1,606,583)	4,667,960	0	4,667,960
Depreciation	1,788,412	1,494,488	(24) 3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(25) (945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	166,467	(26) 3,666,054	44,588	(44) 3,710,642
Income Taxes - Federal	(431,984)	(428,710)	(27) (860,694)	1,660,454	(45) 799,760
Income Taxes - State	(185,161)	1,794	(28) (183,367)	416,155	(46) 232,788
Sale of Utility Property	(20,253)	20,253	(29) 0	0	0
Amort. Investment Tax Credit	(8,854)	0	(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0	(15,713)	0	(15,713)
<u>Total Other Expenses</u>	4,219,524	715,446	4,934,970	2,121,197	7,056,167
<u>Total Operating Expenses</u>	22,928,089	1,469,007	24,397,096	2,121,197	26,518,293
<u>Net Operating Income</u>	65,861	(687,819)	(621,958)	6,246,471	5,624,513
Customer Growth	0	0	(30) 0	84,541	(47) 84,541
Interest During Construction	(172,635)	172,635	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	238,496	(860,454)	(621,958)	6,331,012	5,709,054
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	103,656,698	415,288	(32) 104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(33) (12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049	91,218,902	0	91,218,902
Deferred Charges	0	4,818,974	(34) 4,818,974	0	4,818,974
Cash Working Capital	1,680,231	(300,581)	(35) 1,379,650	0	1,379,650
Contributions In Aid of Construction	(20,300,003)	2,205,788	(36) (18,094,215)	0	(18,094,215)
Accumulated Deferred Income Taxes	(3,522,916)	0	(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0	(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(831,277)	0	(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38) (464,646)	0	(464,646)
<u>Total Rate Base</u>	64,157,538	10,012,584	74,170,122	0	74,170,122
<u>Return on Rate Base</u>	0.37%		-0.84%		7.70%
<u>Operating Margin</u>	-6.91%		-11.03%		11.54%
<u>Interest Expense</u>	1,828,315	172,985	(39) 2,001,300	0	2,001,300

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 1
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	6,307,416	272,372 (1)	6,579,788	2,632,059 (40)	9,211,847
Miscellaneous Revenues	84,940	(290) (3)	84,650	9,249 (42)	93,899
Uncollectible Accounts	(62,865)	(2,933) (4)	(65,798)	(26,320) (43)	(92,118)
<u>Total Operating Revenues</u>	6,329,491	269,149	6,598,640	2,614,988	9,213,628
<u>Maintenance Expenses</u>					
Salaries and Wages	842,497	(484,042) (5)	358,455	0	358,455
Capitalized Time	(101,347)	25,726 (6)	(75,621)	0	(75,621)
Purchased Power	72,278	0 (7)	72,278	0	72,278
Purchased Water - Pass Through	2,859,944	671,519 (8)	3,531,463	0	3,531,463
Maintenance and Repair	628,927	577,996 (9)	1,206,923	0	1,206,923
Maintenance Testing	40,064	(33,212) (10)	6,852	0	6,852
Meter Reading	31,148	(44,196) (11)	(13,048)	0	(13,048)
Chemicals	132,225	(25,360) (12)	106,865	0	106,865
Transportation	84,341	(42,445) (13)	41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	4,590,077	645,986	5,236,063	0	5,236,063
<u>General Expenses</u>					
Salaries and Wages	308,198	191,693 (14)	499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(644,604) (15)	144,387	0	144,387
Regulatory Commission Exp.	48,900	21,996 (16)	70,896	0	70,896
Pension & Other Benefits	275,491	(94,905) (17)	180,586	0	180,586
Rent	25,824	30,338 (18)	56,162	0	56,162
Insurance	123,183	58,173 (19)	181,356	0	181,356
Office Utilities	167,049	(35,121) (20)	131,928	0	131,928
Outside Services - Other	374,956	(58,653) (21)	316,303	0	316,303
Non-Utility Misc Expense	156,637	(156,637) (22)	0	0	0
Miscellaneous	21,275	1,217 (23)	22,492	0	22,492
<u>Total General Expenses</u>	2,290,504	(686,503)	1,604,001	0	1,604,001
Depreciation	464,276	539,028 (24)	1,003,304	0	1,003,304
Amortization of CIAC	(164,957)	(467,848) (25)	(632,805)	0	(632,805)
Taxes Other Than Income	1,111,788	(15,892) (26)	1,095,896	13,927 (44)	1,109,823
Income Taxes - Federal	(154,415)	(288,915) (27)	(443,330)	518,912 (45)	75,582
Income Taxes - State	(99,023)	(2,450) (28)	(101,473)	130,053 (46)	28,580
Sale of Utility Property	(29,922)	29,922 (29)	0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
<u>Total Other Expenses</u>	1,110,029	(206,155)	903,874	662,892	1,566,766
<u>Total Operating Expenses</u>	7,990,610	(246,672)	7,743,938	662,892	8,406,830
<u>Net Operating Income</u>	(1,661,119)	515,821	(1,145,298)	1,952,096	806,798
Customer Growth	0	0 (30)	0	16,452 (47)	16,452
Interest During Construction	(74,253)	74,253 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	(1,586,866)	441,568	(1,145,298)	1,968,548	823,250
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	25,669,070	1,152,082 (32)	26,821,152	0	26,821,152
Accumulated Depreciation	(5,359,140)	1,188,052 (33)	(4,171,088)	0	(4,171,088)
Net Plant In Service	20,309,930	2,340,134	22,650,064	0	22,650,064
Deferred Charges	0	(168,135) (34)	(168,135)	0	(168,135)
Cash Working Capital	502,580	(89,005) (35)	413,575	0	413,575
Contributions In Aid of Construction	(8,780,986)	370,017 (36)	(8,410,969)	0	(8,410,969)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030) (38)	(223,030)	0	(223,030)
<u>Total Rate Base</u>	10,346,689	2,229,981	12,576,670	0	12,576,670
<u>Return on Rate Base</u>	-15.34%		-9.11%		6.55%
<u>Operating Margin</u>	-33.96%		-22.50%		5.25%
<u>Interest Expense</u>	562,651	(223,300) (39)	339,351	0	339,351

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,561,506	8,096	(1) 5,569,602	1,181,125	(40) 6,750,727
Miscellaneous Revenues	115,189	0	(3) 115,189	7,425	(42) 122,614
Uncollectible Accounts	(77,873)	(101)	(4) (77,974)	(16,536)	(43) (94,510)
<u>Total Operating Revenues</u>	5,598,822	7,995	5,606,817	1,172,014	6,778,831
<u>Maintenance Expenses</u>					
Salaries and Wages	668,288	(264,947)	(5) 403,341	0	403,341
Capitalized Time	(71,806)	12,190	(6) (59,616)	0	(59,616)
Purchased Power	180,096	0	(7) 180,096	0	180,096
Purchased Water - Pass Through	761,771	76,069	(8) 837,840	0	837,840
Maintenance and Repair	440,252	261,585	(9) 701,837	0	701,837
Maintenance Testing	97,005	(48,101)	(10) 48,904	0	48,904
Meter Reading	45,376	(9,488)	(11) 35,888	0	35,888
Chemicals	54,966	(14,317)	(12) 40,649	0	40,649
Transportation	52,482	(25,511)	(13) 26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	2,228,430	(12,520)	2,215,910	0	2,215,910
<u>General Expenses</u>					
Salaries and Wages	192,149	115,859	(14) 308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(175,329)	(15) 94,969	0	94,969
Regulatory Commission Exp.	30,488	13,278	(16) 43,766	0	43,766
Pension & Other Benefits	172,239	(5,031)	(17) 167,208	0	167,208
Rent	38,829	17,965	(18) 56,794	0	56,794
Insurance	76,740	35,004	(19) 111,744	0	111,744
Office Utilities	110,492	(21,368)	(20) 89,124	0	89,124
Outside Services - Other	235,453	(89,262)	(21) 146,191	0	146,191
Non-Utility Misc Expense	97,387	(97,387)	(22) 0	0	0
Miscellaneous	14,337	1,626	(23) 15,963	0	15,963
<u>Total General Expenses</u>	1,238,412	(204,645)	1,033,767	0	1,033,767
Depreciation	408,578	389,640	(24) 798,218	0	798,218
Amortization of CIAC	(7,201)	(25,453)	(25) (32,654)	0	(32,654)
Taxes Other Than Income	992,688	(13,083)	(26) 979,605	6,267	(44) 985,872
Income Taxes - Federal	(33,770)	19,750	(27) (14,020)	232,566	(45) 218,546
Income Taxes - State	23,613	(17,675)	(28) 5,938	58,288	(46) 64,226
Sale of Utility Property	(18,297)	18,297	(29) 0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0	1,564	0	1,564
<u>Total Other Expenses</u>	1,367,175	371,476	1,738,651	297,121	2,035,772
<u>Total Operating Expenses</u>	4,834,017	154,311	4,988,328	297,121	5,285,449
<u>Net Operating Income</u>	764,805	(146,316)	618,489	874,893	1,493,382
Customer Growth	0	0	(30) 0	1,350	(47) 1,350
Interest During Construction	(5,925)	5,925	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	770,730	(152,241)	618,489	876,243	1,494,732
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	22,208,337	1,053,999	(32) 23,262,336	0	23,262,336
Accumulated Depreciation	(3,277,394)	342,050	(33) (2,935,344)	0	(2,935,344)
Net Plant In Service	18,930,943	1,396,049	20,326,992	0	20,326,992
Deferred Charges	0	(601,264)	(34) (601,264)	0	(601,264)
Cash Working Capital	338,134	(36,654)	(35) 301,480	0	301,480
Contributions In Aid of Construction	(351,720)	9,997	(36) (341,723)	0	(341,723)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0	(38) 0	0	0
<u>Total Rate Base</u>	17,452,573	768,128	18,220,701	0	18,220,701
<u>Return on Rate Base</u>	4.42%		3.39%		8.20%
<u>Operating Margin</u>	4.29%		2.26%		14.80%
<u>Interest Expense</u>	530,582	(38,941)	(39) 491,641	0	491,641

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Sewer Service Territory 1 and 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	4,576,843 (41)	16,011,097
Miscellaneous Revenues	245,437	4,333	(3) 249,770	49,591 (42)	299,361
Uncollectible Accounts	(109,733)	(4,610)	(4) (114,343)	(45,768) (43)	(160,111)
<u>Total Operating Revenues</u>	11,065,637	504,044	11,569,681	4,580,666	16,150,347
<u>Maintenance Expenses</u>					
Salaries and Wages	1,159,998	(595,073)	(5) 564,925	0	564,925
Capitalized Time	(160,270)	35,698	(6) (124,572)	0	(124,572)
Purchased Power	519,286	0	(7) 519,286	0	519,286
Purchased Sewer	1,645,009	2,410,618	(8) 4,055,627	0	4,055,627
Maintenance and Repair	1,962,233	97,753	(9) 2,059,986	0	2,059,986
Maintenance Testing	177,386	(93,103)	(10) 84,283	0	84,283
Meter Reading	36,083	(19,131)	(11) 16,952	0	16,952
Chemicals	173,628	(59,366)	(12) 114,262	0	114,262
Transportation	102,162	(50,718)	(13) 51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	5,615,515	1,726,678	7,342,193	0	7,342,193
<u>General Expenses</u>					
Salaries and Wages	371,276	231,255	(14) 602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(744,791)	(15) 176,651	0	176,651
Regulatory Commission Exp.	58,905	26,539	(16) 85,444	0	85,444
Pension & Other Benefits	331,893	(65,105)	(17) 266,788	0	266,788
Rent	32,369	36,536	(18) 68,905	0	68,905
Insurance	148,400	70,194	(19) 218,594	0	218,594
Office Utilities	214,411	(42,145)	(20) 172,266	0	172,266
Outside Services - Other	452,575	(40,974)	(21) 411,601	0	411,601
Non-Utility Misc Expense	188,667	(188,667)	(22) 0	0	0
Miscellaneous	25,689	1,723	(23) 27,412	0	27,412
<u>Total General Expenses</u>	2,745,627	(715,435)	2,030,192	0	2,030,192
Depreciation	915,558	565,820	(24) 1,481,378	0	1,481,378
Amortization of CIAC	(234,352)	(45,545)	(25) (279,897)	0	(279,897)
Taxes Other Than Income	1,395,111	195,442	(26) 1,590,553	24,394 (44)	1,614,947
Income Taxes - Federal	(243,799)	(159,545)	(27) (403,344)	908,976 (45)	505,632
Income Taxes - State	(109,751)	21,919	(28) (87,832)	227,814 (46)	139,982
Sale of Utility Property	27,966	(27,966)	(29) 0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<u>Total Other Expenses</u>	1,742,320	550,125	2,292,445	1,161,184	3,453,629
<u>Total Operating Expenses</u>	10,103,462	1,561,368	11,664,830	1,161,184	12,826,014
<u>Net Operating Income</u>	962,175	(1,057,324)	(95,149)	3,419,482	3,324,333
Customer Growth	0	0	(30) 0	66,739 (47)	66,739
Interest During Construction	(92,457)	92,457	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	1,054,632	(1,149,781)	(95,149)	3,486,221	3,391,072
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	55,779,291	(1,790,793)	(32) 53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	1,807,659	(33) (5,746,652)	0	(5,746,652)
Net Plant In Service	48,224,980	16,866	48,241,846	0	48,241,846
Deferred Charges	0	5,588,373	(34) 5,588,373	0	5,588,373
Cash Working Capital	839,517	(174,922)	(35) 664,595	0	664,595
Contributions In Aid of Construction	(11,167,297)	1,825,774	(36) (9,341,523)	0	(9,341,523)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0	(37) 0	0	-
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616)	(38) (241,616)	0	(241,616)
<u>Total Rate Base</u>	36,358,276	7,014,475	43,372,751	0	43,372,751
<u>Return on Rate Base</u>	2.90%		-0.22%		7.82%
<u>Operating Margin</u>	2.89%		-10.94%		13.75%
<u>Interest Expense</u>	735,082	435,226	(39) 1,170,308	0	1,170,308

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Accounting and Pro Forma Adjustments</u>				
<u>Operating Revenues</u>				
(1) Service Revenues - Water				
To adjust water service revenues to reflect test year customer billings.				
Per ORS	280,468	272,372	8,096	0
Per BGWC	481,681	488,815	(7,134)	0
(2) Service Revenues - Sewer				
To adjust sewer service revenues to reflect test year customer billings.				
Per ORS	504,321	0	0	504,321
Per BGWC	129,970	0	0	129,970
(3) Miscellaneous Revenues				
To adjust miscellaneous revenues for the test year.				
Per ORS	4,043	(290)	0	4,333
Per BGWC	0	0	0	0
(4) Uncollectible Accounts				
To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.				
Per ORS	(7,644)	(2,933)	(101)	(4,610)
Per BGWC	(6,279)	(4,894)	158	(1,543)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Maintenance Expenses</u>				
(5) Salaries & Wages				
To annualize operators' salaries for the test year.				
Per ORS	(1,344,062)	(484,042)	(264,947)	(595,073)
Per BGWC	(1,155,286)	(418,425)	(229,614)	(507,247)
(6) Capitalized Time				
To adjust capitalized time based on pro forma salaries.				
Per ORS	73,614	25,726	12,190	35,698
Per BGWC	58,345	20,623	9,649	28,073
(7) Purchased Power				
No adjustment proposed for purchased power.				
Per ORS	0	0	0	0
Per BGWC	0	0	0	0
(8) Purchased Water and Sewer				
(8a) To adjust purchased water & sewer expense to remove non-revenue water and amortize uncollected purchased water and sewer expense increases over 3 years.				
Per ORS	854,532	339,455	45,941	469,136
Per BGWC	934,656	402,984	53,940	477,732
(8b) To adjust purchased water & sewer expenses to remove non-revenue water and reflect going forward expense levels.				
Per ORS	2,303,674	332,064	30,128	1,941,482
Per BGWC	2,640,647	404,870	106,342	2,129,435
(8) Total Purchased Water and Sewer Per ORS	3,158,206	671,519	76,069	2,410,618
Total Purchased Water and Sewer Per BGWC	3,575,303	807,854	160,282	2,607,167

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(9) Maintenance and Repair				
(9a) To adjust maintenance and repair for the amortization of deferred maintenance over 5 years.				
Per ORS	(232,402)	(62,470)	(59,317)	(110,615)
Per BGWC	(212,327)	(52,424)	(59,288)	(100,615)
(9b) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	851,676	609,328	318,024	(75,676)
Per BGWC	892,513	623,802	327,093	(58,382)
(9c) To adjust for amortization of deferrals for litigation costs, decommissioning costs and NBV of decommissioned assets.				
Per ORS	354,373	43,406	11,143	299,824
Per BGWC	483,212	57,128	11,592	414,492
(9d) To normalize test year storm costs.				
Per ORS	(23,481)	(7,720)	(5,463)	(10,298)
Per BGWC	0	0	0	0
(9e) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(12,832)	(4,548)	(2,802)	(5,482)
Per BGWC	0	0	0	0
(9) Total Maintenance and Repair Per ORS	<u>937,334</u>	<u>577,996</u>	<u>261,585</u>	<u>97,753</u>
Total Maintenance and Repair Per BGWC	<u>1,163,398</u>	<u>628,506</u>	<u>279,397</u>	<u>255,495</u>
(10) Maintenance Testing				
To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>
Per BGWC	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(11) Meter Reading				
(11a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(44,748)	(16,129)	(9,488)	(19,131)
Per BGWC	(44,748)	(16,129)	(9,491)	(19,128)
(11b) To remove meter reading expenses due to AMI deployment.				
Per ORS	(28,067)	(28,067)	0	0
Per BGWC	(28,067)	(28,067)	0	0
(11) Total Meter Reading Per ORS	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,488)</u>	<u>(19,131)</u>
Total Meter Reading Per BGWC	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,491)</u>	<u>(19,128)</u>
(12) Chemicals				
(12a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(67,524)	(24,338)	(14,317)	(28,869)
Per BGWC	(67,524)	(24,338)	(14,322)	(28,864)
(12b) To remove chemical expense for decommissioned treatment facilities.				
Per ORS	(31,519)	(1,022)	0	(30,497)
Per BGWC	(31,519)	(1,022)	0	(30,497)
(12) Total Chemicals Per ORS	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,317)</u>	<u>(59,366)</u>
Total Chemicals Per BGWC	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,322)</u>	<u>(59,361)</u>
(13) Transportation				
(13a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(110,230)	(39,452)	(23,667)	(47,111)
Per BGWC	(99,425)	(35,837)	(21,088)	(42,500)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(13b) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(8,444)	(2,993)	(1,844)	(3,607)
Per BGWC	0	0	0	0
(13) Total Transportation Per ORS	<u>(118,674)</u>	<u>(42,445)</u>	<u>(25,511)</u>	<u>(50,718)</u>
Total Transportation Per BGWC	<u>(99,425)</u>	<u>(35,837)</u>	<u>(21,088)</u>	<u>(42,500)</u>
<u>General Expenses</u>				
(14) Salaries & Wages				
To annualize office salaries for the test year.				
Per ORS	<u>538,807</u>	<u>191,693</u>	<u>115,859</u>	<u>231,255</u>
Per BGWC	<u>517,333</u>	<u>184,082</u>	<u>111,170</u>	<u>222,081</u>
(15) Office Supplies & Other Office Expense				
(15a) To remove expenses for items excluded by the Company.				
Per ORS	(1,542,022)	(636,499)	(170,477)	(735,046)
Per BGWC	(1,549,457)	(640,076)	(170,478)	(738,903)
(15b) To include costs for purchased services annual rate adjustment filing notices and annual round up bill inserts or flyers.				
Per ORS	0	0	0	0
Per BGWC	22,670	8,907	3,984	9,779
(15c) To remove expenses non-allowable for ratemaking purposes.				
Per ORS	(22,702)	(8,105)	(4,852)	(9,745)
Per BGWC	0	0	0	0
(15) Total Office Supplies & Other Office Expense Per ORS	<u>(1,564,724)</u>	<u>(644,604)</u>	<u>(175,329)</u>	<u>(744,791)</u>
Total Office Supplies & Other Office Expense Per BGWC	<u>(1,526,787)</u>	<u>(631,169)</u>	<u>(166,494)</u>	<u>(729,124)</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(16) Regulatory Commission Expense				
(16a) To amortize current and unamortized prior rate case expenses over a three-year period.				
Per ORS	61,813	21,996	13,278	26,539
Per BGWC	104,130	36,995	22,519	44,616
(16b) To include legal costs for purchased services annual rate adjustment mechanism annual filings.				
Per ORS	0	0	0	0
Per BGWC	3,394	2,793	601	0
(16) Total Regulatory Commission Expense Per ORS	<u>61,813</u>	<u>21,996</u>	<u>13,278</u>	<u>26,539</u>
Total Regulatory Commission Expense Per BGWC	<u>107,524</u>	<u>39,788</u>	<u>23,120</u>	<u>44,616</u>
(17) Pension & Other Benefits				
(17a) To annualize pension and other benefits associated with pro forma salaries.				
Per ORS	(161,830)	(93,767)	(4,330)	(63,733)
Per BGWC	(62,113)	(54,671)	13,899	(21,341)
(17b) To remove service awards for ratemaking purposes.				
Per ORS	(3,211)	(1,138)	(701)	(1,372)
Per BGWC	0	0	0	0
(17) Total Pension & Other Benefits Per ORS	<u>(165,041)</u>	<u>(94,905)</u>	<u>(5,031)</u>	<u>(65,105)</u>
Total Pension & Other Benefits Per BGWC	<u>(62,113)</u>	<u>(54,671)</u>	<u>13,899</u>	<u>(21,341)</u>
(18) Rent				
To adjust rent expense for pro forma annualized leases.				
Per ORS	84,839	30,338	17,965	36,536
Per BGWC	95,826	34,233	20,363	41,230

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(19) Insurance				
To adjust insurance expense based on most recent policy premiums and deductible costs.				
Per ORS	163,371	58,173	35,004	70,194
Per BGWC	201,243	71,596	43,274	86,373
(20) Office Utilities				
To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(98,634)	(35,121)	(21,368)	(42,145)
Per BGWC	(27,003)	(9,733)	(5,725)	(11,545)
(21) Outside Services - Other				
(21a) To adjust corporate costs allocations to annualize Corix parent expenses.				
Per ORS	(341,915)	(120,738)	(75,787)	(145,390)
Per BGWC	(362,759)	(128,125)	(80,339)	(154,295)
(21b) To include costs for York County franchise agreement and Lake Wylie AMI Neptune data support.				
Per ORS	214,731	83,955	0	130,776
Per BGWC	214,731	83,955	0	130,776
(21c) To reclassify annual rate adjustment mechanism and pumping interceptor tank legal expenses incurred during the test year to rate case expenses.				
Per ORS	(36,864)	(13,066)	(8,050)	(15,748)
Per BGWC	0	0	0	0
(21d) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(9,833)	(3,485)	(2,147)	(4,201)
Per BGWC	0	0	0	0

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(21e) To remove legal expenses that should not be included for ratemaking purposes.				
Per ORS	(15,008)	(5,319)	(3,278)	(6,411)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(21) Total Outside Services Expense Per ORS	<u>(188,889)</u>	<u>(58,653)</u>	<u>(89,262)</u>	<u>(40,974)</u>
Total Outside Services Expense Per BGWC	<u>(148,028)</u>	<u>(44,170)</u>	<u>(80,339)</u>	<u>(23,519)</u>
(22) Non-Utility Miscellaneous Expense				
To remove non-utility activity.				
Per ORS	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
Per BGWC	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
(23) Miscellaneous				
(23a) To include customer deposit interest expense.				
Per ORS	11,244	3,584	3,084	4,576
Per BGWC	11,244	3,584	3,084	4,576
(23b) To remove expenses non-allowable for ratemaking purposes.				
Per ORS	(6,678)	(2,367)	(1,458)	(2,853)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(23) Total Miscellaneous Per ORS	<u>4,566</u>	<u>1,217</u>	<u>1,626</u>	<u>1,723</u>
Total Miscellaneous Per BGWC	<u>11,244</u>	<u>3,584</u>	<u>3,084</u>	<u>4,576</u>
(24) Depreciation Expense				
To annualize depreciation expense for known and measurable plant in service. See Surrebuttal Audit Exhibit DFS-6.				
Per ORS	<u>1,494,488</u>	<u>539,028</u>	<u>389,640</u>	<u>565,820</u>
Per BGWC	<u>2,093,637</u>	<u>710,395</u>	<u>554,066</u>	<u>829,176</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(25) Amortization of Contributions in Aid of Construction (CIAC)				
To adjust amortization of CIAC for known and measurable changes. See Surrebuttal Audit Exhibit DFS-6.				
Per ORS	(538,846)	(467,848)	(25,453)	(45,545)
Per BGWC	(618,100)	(473,764)	(25,421)	(118,915)
(26) Taxes Other Than Income				
(26a) To adjust payroll taxes associated with adjusted salaries.				
Per ORS	(33,874)	(22,237)	2,425	(14,062)
Per BGWC	(14,449)	(14,507)	5,800	(5,742)
(26b) To adjust gross receipts taxes for the adjustments to accounting and pro forma revenue using a factor of .00527282.				
Per ORS	4,160	1,435	43	2,682
Per BGWC	3,226	2,577	(37)	686
(26c) To adjust pro forma property taxes for pro forma plant balances.				
Per ORS	196,181	4,910	(15,551)	206,822
Per BGWC	543,084	250,725	156,101	136,258
(26) Total Taxes Other Than Income Per ORS	166,467	(15,892)	(13,083)	195,442
Total Taxes Other Than Income Per BGWC	531,861	238,795	161,864	131,202
(27) Income Taxes - Federal				
To adjust federal income taxes after accounting and pro forma adjustments. See Surrebuttal Audit Exhibit DFS-7.				
Per ORS	(428,710)	(288,915)	19,750	(159,545)
Per BGWC	(884,773)	(408,999)	(99,526)	(376,248)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(28) Income Taxes - State				
To adjust state income taxes after accounting and pro forma adjustments. See Surrebuttal Audit Exhibit DFS-7.				
Per ORS	1,794	(2,450)	(17,675)	21,919
Per BGWC	(112,509)	(32,547)	(47,569)	(32,393)
(29) Sale of Utility Property				
To reflect the removal of sale of utility property for ratemaking purposes.				
Per ORS	20,253	29,922	18,297	(27,966)
Per BGWC	20,253	29,922	18,297	(27,966)
(30) Customer Growth				
No accounting and pro forma adjustment proposed for customer growth.				
Per ORS	0	0	0	0
Per BGWC	0	0	0	0
(31) Interest During Construction ("IDC")				
To eliminate IDC for rate making purposes.				
Per ORS	172,635	74,253	5,925	92,457
Per BGWC	172,636	74,253	5,925	92,458
(32) Gross Plant in Service				
To adjust for pro forma general ledger additions, pro forma plant, pro forma retirements and decommissioned plant.				
Per ORS	415,288	1,152,082	1,053,999	(1,790,793)
Per BGWC	2,600,952	1,231,445	1,653,985	(284,478)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(33) Accumulated Depreciation				
To adjust accumulated depreciation for current depreciation, decommissioned plant and prior rate case adjustments.				
Per ORS	3,337,761	1,188,052	342,050	1,807,659
Per BGWC	3,701,703	1,650,578	957,319	1,093,806
(34) Deferred Charges				
(34a) To include unamortized balances for deferred maintenance.				
Per ORS	0	0	0	0
Per BGWC	348,417	185,162	114,088	49,167
(34b) To include unamortized balances for removal costs on decommissioned assets, NBV on decommissioned assets, and excess deferred income taxes.				
Per ORS	4,818,974	(168,135)	(601,264)	5,588,373
Per BGWC	4,596,244	(183,548)	(652,326)	5,432,118
(34) Total Deferred Charges Per ORS	4,818,974	(168,135)	(601,264)	5,588,373
Total Deferred Charges Per BGWC	4,944,661	1,614	(538,238)	5,481,285
(35) Cash Working Capital				
(35a) To adjust cash working capital after accounting and pro forma adjustments. See Surrebuttal Audit Exhibit DFS-8.				
Per ORS	752,535	352,428	68,076	332,031
Per BGWC	898,666	399,600	94,180	404,886
(35b) To adjust cash working capital for Company proposed rate mitigation by eliminating purchased water and sewer from the calculation. See Surrebuttal Audit Exhibit DFS-8.				
Per ORS	(1,053,116)	(441,433)	(104,730)	(506,953)
Per BGWC	(1,105,254)	(458,475)	(115,257)	(531,522)
(35) Total Cash Working Capital Per ORS	(300,581)	(89,005)	(36,654)	(174,922)
Total Cash Working Capital Per BGWC	(206,588)	(58,875)	(21,077)	(126,636)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(36) Contributions in Aid of Construction ("CIAC")				
To adjust CIAC to reflect the amortization of CIAC expense, pro forma CIAC additions and decommissioned plant. See Surrebuttal Audit Exhibit DFS-6.				
Per ORS	2,205,788	370,017	9,997	1,825,774
Per BGWC	1,068,166	(36,839)	(14,689)	1,119,694
(37) Plant Held for Future Use				
To adjust for post test year land purchase to be used for one million gallon elevated tank in Lake Wylie Subdivision.				
Per ORS	0	0	0	0
Per BGWC	350,000	350,000	0	0
(38) Excess Book Value				
To remove excess book value for ratemaking purposes.				
Per ORS	(464,646)	(223,030)	0	(241,616)
Per BGWC	(435,586)	(207,236)	0	(228,350)
(39) Interest Expense				
To adjust interest on debt using a 47.09% and 52.91% debt to equity ratio and 5.73% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Surrebuttal Audit Exhibit DFS-9.				
Per ORS	172,985	(223,300)	(38,941)	435,226
Per BGWC	228,871	(204,109)	(4,278)	437,258

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>ORS Adjustments</u>				
(40) Service Revenues - Water				
To adjust water service revenues for the return on equity recommendation of ORS witness Parcell.				
Per ORS	3,813,184	2,632,059	1,181,125	0
Per BGWC	5,575,958	3,636,851	1,939,107	0
(41) Service Revenues - Sewer				
To adjust sewer service revenues for the return on equity recommendation of ORS witness Parcell.				
Per ORS	4,576,843	0	0	4,576,843
Per BGWC	6,155,846	0	0	6,155,846
(42) Miscellaneous Revenues				
To adjust miscellaneous revenues.				
Per ORS	66,265	9,249	7,425	49,591
Per BGWC	0	0	0	0
(43) Uncollectible Accounts				
To adjust uncollectible accounts for ORS's adjustments to revenues.				
Per ORS	(88,624)	(26,320)	(16,536)	(45,768)
Per BGWC	(142,266)	(36,021)	(29,914)	(76,331)
(44) Taxes Other Than Income				
To adjust gross receipts using a factor of .00527282 after ORS's adjustments to revenues.				
Per ORS	44,588	13,927	6,267	24,394
Per BGWC	61,859	19,176	10,225	32,458

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(45) Income Taxes -Federal				
To adjust federal income taxes after ORS's adjustments to revenues and gross receipts. See Surrebuttal Audit Exhibit DFS-7.				
Per ORS	1,660,454	518,912	232,566	908,976
Per BGWC	2,299,770	714,539	378,844	1,206,387
(46) Income Taxes - State				
To adjust state income taxes after ORS's adjustments to revenues and gross receipts. See Surrebuttal Audit Exhibit DFS-7.				
Per ORS	416,155	130,053	58,288	227,814
Per BGWC	576,385	179,083	94,949	302,353
(47) Customer Growth				
To adjust for customer growth after ORS's adjustments to revenues and taxes. The growth factors of 2.0392% for water territory 1, 0.0904% for water territory 2, and 2.0076% for sewer were computed by ORS witness Sandonato.				
Per ORS	84,541	16,452	1,350	66,739
Per BGWC	0	0	0	0

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 1	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	84,616	1.50%	1,269
1025	FRANCHISES	25,864	1.50%	388
1030	LAND & LAND RIGHTS PUMP	6,920	0.00%	-
1035	LAND & LAND RIGHTS WTR	-	0.00%	-
1040	LAND & LAND RIGHTS TRAN	28,237	0.00%	-
1045	LAND & LAND RIGHTS GEN	288,337	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	1,040,231	2.24%	23,301
1055	STRUCT & IMPRV WTR TRT	470,724	2.12%	9,979
1060	STRUCT & IMPRV TRANS DI	3,434	1.95%	67
1065	STRUCT & IMPRV GEN PLT	166,157	1.97%	3,273
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,366,210	2.30%	31,423
1085	INFILTRATION GALLERY	-	1.50%	-
1090	SUPPLY MAINS	1,325,569	1.91%	25,318
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	224,376	4.31%	9,671
1105	ELECTRIC PUMP EQUIP WTP	1,468,331	4.73%	69,452
1110	ELECTRIC PUMP EQUIP TRA	189,746	4.53%	8,595
1115	WATER TREATMENT EQPT	905,219	2.85%	25,799
1120	DIST RESV & STANDPIPES	3,287,317	3.17%	104,208
1125	TRANS & DISTR MAINS	7,414,856	1.10%	81,563
1130	SERVICE LINES	3,379,661	6.40%	216,298
1135	METERS	2,588,959	6.05%	156,632
1140	METER INSTALLATIONS	338,235	5.12%	17,318
1145	HYDRANTS	322,831	2.35%	7,587
1150	BACKFLOW PREVENTION DEV	8,525	5.05%	431
1155	OTH PLT&MISC EQUIP INTA	2,216	4.57%	101
1160	OTH PLT&MISC EQUIP SRC	-	2.66%	-
1165	OTH PLT&MISC EQUIP WTP	-	3.28%	-
1170	OTH PLT&MISC EQUIP TRAN	1,457	4.20%	61
1175	OFFICE STRUCT & IMPRV	223,300	2.24%	5,002
1180	OFFICE FURN & EQPT	317,420	12.92%	41,011
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQPT	318,495	10.06%	32,041
1195	LABORATORY EQUIPMENT	73,863	10.75%	7,940
1200	POWER OPERATED EQUIP	1,043	8.94%	93
1205	COMMUNICATION EQPT	100,439	23.80%	23,904
1210	MISC EQUIPMENT	1,688	6.16%	104
1215	WATER PLANT ALLOCATED	-	0.00%	-
1220	OTHER TANGIBLE PLT WATE	-	7.58%	-
1555	TRANSPORTATION EQPT WTR	209,408	2.90%	6,073
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	104	20.00%	21
1585	MINI COMPUTERS WTR	133,572	33.33%	44,520
1590	COMP SYS COST WTR	369,707	12.50%	46,213
1595	MICRO SYS COST WTR	48	33.33%	16
2620	UTIL PLANT ACQUIRED/DISPOSED	134,036	0.00%	-
Total UPIS Water		26,821,151		999,673
		Indian Pines Extraordinary Retirement (Ends 2029)		3,631
		ORS Total Water Territory 1 Depreciation		1,003,304
		Less Per Books		464,276
		ORS Adj. #24 for Water Territory 1		539,028

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 2	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	213,814	1.50%	3,207
1025	FRANCHISES	33,687	1.50%	505
1030	LAND & LAND RIGHTS PUMP	-	0.00%	-
1035	LAND & LAND RIGHTS WTR	38	0.00%	-
1040	LAND & LAND RIGHTS TRAN	655	0.00%	-
1045	LAND & LAND RIGHTS GEN	273,996	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	2,496,082	2.24%	55,912
1055	STRUCT & IMPRV WTR TRT	832,780	2.12%	17,655
1060	STRUCT & IMPRV TRANS DI	27,267	1.95%	532
1065	STRUCT & IMPRV GEN PLT	104,588	1.97%	2,060
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,513,241	2.30%	34,805
1085	INFILTRATION GALLERY	-	1.50%	-
1090	SUPPLY MAINS	346,988	1.91%	6,627
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	302,499	4.31%	13,038
1105	ELECTRIC PUMP EQUIP WTP	1,361,123	4.73%	64,381
1110	ELECTRIC PUMP EQUIP TRA	565,868	4.53%	25,634
1115	WATER TREATMENT EQPT	776,460	2.85%	22,129
1120	DIST RESV & STANDPIPES	4,003,368	3.17%	126,907
1125	TRANS & DISTR MAINS	6,473,528	1.10%	71,209
1130	SERVICE LINES	2,258,844	6.40%	144,566
1135	METERS	250,306	6.05%	15,144
1140	METER INSTALLATIONS	202,430	5.12%	10,364
1145	HYDRANTS	92,469	2.35%	2,173
1150	BACKFLOW PREVENTION DEV	14,320	5.05%	723
1155	OTH PLT&MISC EQUIP INTA	678	4.57%	31
1160	OTH PLT&MISC EQUIP SRC	2,211	2.66%	59
1165	OTH PLT&MISC EQUIP WTP	1,073	3.28%	35
1170	OTH PLT&MISC EQUIP TRAN	-	4.20%	-
1175	OFFICE STRUCT & IMPRV	94,080	2.24%	2,107
1180	OFFICE FURN & EQPT	164,341	12.92%	21,233
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQPT	261,313	10.06%	26,288
1195	LABORATORY EQUIPMENT	52,855	10.75%	5,682
1200	POWER OPERATED EQUIP	2,053	8.94%	184
1205	COMMUNICATION EQPT	71,225	23.80%	16,952
1210	MISC EQUIPMENT	14,201	6.16%	875
1215	WATER PLANT ALLOCATED	-	0.00%	-
1220	OTHER TANGIBLE PLT WATE	18,922	7.58%	1,434
1555	TRANSPORTATION EQPT WTR	127,913	2.90%	3,709
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	-	20.00%	-
1585	MINI COMPUTERS WTR	81,609	33.33%	27,200
1590	COMP SYS COST WTR	225,511	12.50%	28,189
1595	MICRO SYS COST WTR	-	33.33%	-
2620	UTIL PLANT ACQUIRED/DISPOSED	-	0.00%	-
Total UPIS Water		23,262,336		751,549
		Purdy Shores & Foxwood Retirement (Ends 2024)		46,668
		ORS Total Water Territory 2 Depreciation		798,217
		Less Per Books		408,578
		ORS Adj. #24 for Water Territory 2		389,639

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Sewer	Depreciation Rate	Depreciation Expense
1245	ORGANIZATION	32,423	1.50%	486
1250	FRANCHISES INTANG PLT	-	1.50%	-
1255	FRANCHISES RECLAIM WTR	-	1.50%	-
1260	LAND & LAND RIGHTS INTA	-	0.00%	-
1265	LAND & LAND RIGHTS COLL	664	0.00%	-
1270	LAND & LAND RIGHTS TRTM	-	0.00%	-
1275	LAND & LAND RIGHTS RECL	-	0.00%	-
1280	LAND & LAND RIGHTS RCL	-	0.00%	-
1285	LAND & LAND RIGHTS GEN	80,785	0.00%	-
1290	STRUCT/IMPRV COLL PLT	31,886	2.57%	819
1295	STRUCT/IMPRV PUMP PLT L	3,581,162	2.30%	82,367
1300	STRUCT/IMPRV TREAT PLT	3,355,950	2.03%	68,126
1305	STRUCT/IMPRV RECLAIM WT	11,832	1.98%	234
1310	STRUCT/IMPRV RECLAIM WT	24,333	2.32%	565
1315	STRUCT/IMPRV GEN PLT	1,764,223	1.94%	34,226
1320	POWER GEN EQUIP COLL PL	7,473	4.17%	312
1325	POWER GEN EQUIP PUMP PL	47,763	4.07%	1,944
1330	POWER GEN EQUIP TREAT P	32,459	4.17%	1,354
1335	POWER GEN EQUIP RECLAIM	-	1.50%	-
1340	POWER GEN EQUIP RCL WTR	-	1.50%	-
1345	SEWER FORCE MAIN	4,044,864	1.88%	76,043
1350	SEWER GRAVITY MAIN	16,586,096	1.10%	182,447
1353	MANHOLES	187,845	3.21%	6,030
1355	SPECIAL COLL STRUCTURES	53,757	2.16%	1,161
1360	SERVICES TO CUSTOMERS	2,285,513	2.36%	53,938
1365	FLOW MEASURE DEVICES	39,201	5.50%	2,156
1370	FLOW MEASURE INSTALL	1,544	5.14%	79
1375	RECEIVING WELLS	602	2.99%	18
1380	PUMPING EQUIPMENT PUMP	4,030,384	4.54%	182,979
1385	PUMPING EQUIPMENT RECLA	4,741,179	5.53%	262,187
1390	PUMPING EQUIPMENT RCL W	68,372	5.24%	3,583
1395	TREAT/DISP EQUIP LAGOON	1,545,215	2.81%	43,421
1400	TREAT/DISP EQUIP TRT PL	8,728,984	3.10%	270,599
1405	TREAT/DISP EQUIP RCL WT	1,541	2.59%	40
1410	PLANT SEWERS TRTMT PLT	302,038	5.49%	16,582
1415	PLANT SEWERS RECLAIM WT	3,877	5.87%	228
1420	OUTFALL LINES	295,515	2.17%	6,413
1425	OTHER PLT TANGIBLE	2,424	7.73%	187
1430	OTHER PLT COLLECTION	10,833	5.99%	649
1435	OTHER PLT PUMP	42,136	7.61%	3,207
1440	OTHER PLT TREATMENT	20,988	7.61%	1,597
1445	OTHER PLT RECLAIM WTR T	1,720	7.79%	134
1450	OTHER PLT RECLAIM WTR D	-	1.50%	-
1455	OFFICE STRUCT & IMPRV	74,830	2.24%	1,676
1460	OFFICE FURN & EQPT	9,050	6.60%	597
1465	STORES EQUIPMENT	723	6.24%	45
1470	TOOL SHOP & MISC EQPT	198,028	5.70%	11,288
1475	LABORATORY EQPT	45,007	6.19%	2,786
1480	POWER OPERATED EQUIP	70,608	5.41%	3,820
1485	COMMUNICATION EQPT	4,199	15.35%	645
1490	MISC EQUIP SEWER	534,713	6.76%	36,147
1495	SEWER PLANT ALLOCATED	(778)	0.00%	-
1500	OTHER TANGIBLE PLT SEWE	-	7.58%	-
1530	REUSE MTR/INSTALLATIONS	511	5.12%	26
1535	REUSE DIST RESERVOIRS	5,086	3.17%	161
1540	REUSE TRANSMISSION & DIST	76,390	1.10%	840
1555	TRANSPORTATION EQPT WTR	251,800	2.90%	7,302
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	102	20.00%	20
1585	MINI COMPUTERS WTR	160,609	33.33%	53,531
1590	COMP SYS COST WTR	444,321	12.50%	55,540
1595	MICRO SYS COST WTR	47	33.33%	16
2620	UTIL PLANT ACQUIRED/DISPOSED	147,670	0.00%	-
Total UPIS Sewer		53,988,497		1,478,550
Prior Rate Case Adjustment for Engineering Over 10 Years (Ends 2026)				2,826
ORS Total Sewer Depreciation				1,481,376
Less Per Books				915,557
ORS Adj. #24 for Sewer				565,819

Blue Granite Water Company
 Computation of Depreciation and Amortization Expense Adjustments
 Docket No. 2019-290-WS
 For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 1	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.24%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.12%	-
3275	CIAC-STRUCT & IMPRV TRA	-	1.95%	-
3280	CIAC-STRUCT & IMPRV GEN	-	1.97%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	2.30%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPLY MAINS	(384,108)	1.91%	(7,336)
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMP EQP SRC	-	4.31%	-
3320	CIAC-ELEC PUMP EQP WTP	-	4.73%	-
3325	CIAC-ELEC PUMP EQP TRAN	-	4.53%	-
3330	CIAC-WATER TREATMENT EQ	-	2.85%	-
3335	CIAC-DIST RESV & STANDP	(5,378)	3.17%	(170)
3340	CIAC-TRANS & DISTR MAIN	(542,174)	1.10%	(5,964)
3345	CIAC-SERVICE LINES	(303,758)	6.40%	(19,441)
3350	CIAC-METERS	(21,094)	6.05%	(1,276)
3355	CIAC-METER INSTALLS	-	5.12%	-
3360	CIAC-HYDRANTS	(18,809)	2.35%	(442)
3365	CIAC-BACKFLOW PREVENT D	-	5.05%	-
3370	CIAC-OTH PLT&MISC EQP I	-	4.57%	-
3375	CIAC-OTH PLT&MISC EQP S	-	2.66%	-
3380	CIAC-OTH PLT&MISC EQP W	-	3.28%	-
3385	CIAC-OTH PLT&MISC EQP D	-	4.20%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN/EQPT	-	12.92%	-
3400	CIAC-STORES EQUIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.06%	-
3410	CIAC-LABORATORY EQUIPME	-	10.75%	-
3415	CIAC-POWER OPERATED EQU	-	8.94%	-
3420	CIAC-COMMUNICATION EQPT	-	23.80%	-
3425	CIAC-MISC EQUIPMENT	-	6.16%	-
3430	CIAC-OTHER TANGIBLE PLT	(4,413,782)	7.58%	(334,565)
3435	CIAC-WATER-TAP	(4,846,251)	5.12%	(248,128)
3440	CIAC-WTR MGMT FEE	(450)	5.12%	(23)
3442	CIAC-WTR LINE EXT FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(553,994)	1.97%	(10,914)
3455	CIAC-WTR PLT MTR FEE	(75,140)	6.05%	(4,546)
TOTAL CIAC Water		(11,164,938)		(632,805)
			Less: Per Books Amortization of CIAC	(164,957)
			ORS Adjustment #25 for Water Territory 1	(467,848)

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 2	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.24%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.12%	-
3275	CIAC-STRUCT & IMPRV TRA	-	1.95%	-
3280	CIAC-STRUCT & IMPRV GEN	-	1.97%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	2.30%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPLY MAINS	-	1.91%	-
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMP EQP SRC	-	4.31%	-
3320	CIAC-ELEC PUMP EQP WTP	-	4.73%	-
3325	CIAC-ELEC PUMP EQP TRAN	-	4.53%	-
3330	CIAC-WATER TREATMENT EQ	-	2.85%	-
3335	CIAC-DIST RESV & STANDP	-	3.17%	-
3340	CIAC-TRANS & DISTR MAIN	-	1.10%	-
3345	CIAC-SERVICE LINES	-	6.40%	-
3350	CIAC-METERS	-	6.05%	-
3355	CIAC-METER INSTALLS	-	5.12%	-
3360	CIAC-HYDRANTS	-	2.35%	-
3365	CIAC-BACKFLOW PREVENT D	-	5.05%	-
3370	CIAC-OTH PLT&MISC EQP I	-	4.57%	-
3375	CIAC-OTH PLT&MISC EQP S	-	2.66%	-
3380	CIAC-OTH PLT&MISC EQP W	-	3.28%	-
3385	CIAC-OTH PLT&MISC EQP D	-	4.20%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN/EQPT	-	12.92%	-
3400	CIAC-STORES EQUIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.06%	-
3410	CIAC-LABORATORY EQUIPME	-	10.75%	-
3415	CIAC-POWER OPERATED EQU	-	8.94%	-
3420	CIAC-COMMUNICATION EQPT	-	23.80%	-
3425	CIAC-MISC EQUIPMENT	-	6.16%	-
3430	CIAC-OTHER TANGIBLE PLT	(301,970)	7.58%	(22,889)
3435	CIAC-WATER-TAP	(185,496)	5.12%	(9,497)
3440	CIAC-WTR MGMT FEE	-	5.12%	-
3442	CIAC-WTR LINE EXT FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(1,200)	1.97%	(24)
3455	CIAC-WTR PLT MTR FEE	(4,037)	6.05%	(244)
TOTAL CIAC Water		(492,703)		(32,655)
			Less: Per Books Amortization of CIAC	(7,201)
			ORS Adjustment #25 for Water Territory 2	(25,454)

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Sewer	Amortization Rate	Amortization Expense
3480	CIAC-ORGANIZATION	-	1.50%	-
3485	CIAC-FRANCHISES INTANG	-	1.50%	-
3490	CIAC-FRANCHISES RCLM WT	-	1.50%	-
3495	CIAC-STRUCT/IMPRV COLL	-	2.57%	-
3500	CIAC-STRUCT/IMPRV PUMP	(183,120)	2.30%	(4,212)
3505	CIAC-STRUCT/IMPRV TREAT	-	2.03%	-
3510	CIAC-STRUCT/IMPRV RCLM	-	1.98%	-
3515	CIAC-STRUCT/IMPRV RCLM	-	2.32%	-
3520	CIAC-STRUCT/IMPRV GEN P	(9,448,856)	1.94%	(183,308)
3525	CIAC-POWER GEN EQUIP CO	-	4.17%	-
3530	CIAC-POWER GEN EQUIP PU	(47,763)	4.07%	(1,944)
3535	CIAC-POWER GEN EQUIP TR	-	4.17%	-
3540	CIAC-POWER GEN EQUIP RC	-	1.50%	-
3545	CIAC-POWER GEN EQUIP RC	-	1.50%	-
3550	CIAC-SEWER FORCE MAIN	(21,003)	1.88%	(395)
3555	CIAC-SEWER GRAVITY MAIN	(1,064,507)	1.10%	(11,710)
3557	CIAC-MANHOLE	(28,600)	3.21%	(918)
3560	CIAC-SPECIAL COLL STRUC	-	2.16%	-
3565	CIAC-SERVICES TO CUSTOM	(62,000)	2.36%	(1,463)
3570	CIAC-FLOW MEASURE DEVIC	-	5.50%	-
3575	CIAC-FLOW MEASURE INSTA	-	5.14%	-
3580	CIAC-RECEIVING WELLS	-	2.99%	-
3585	CIAC-PUMP EQP PUMP PLT	-	4.54%	-
3590	CIAC-PUMP EQP RCLM WTP	-	5.53%	-
3595	CIAC-PUMP EQP RCLM DIST	-	5.24%	-
3600	CIAC-TREAT/DISP EQUIP L	-	2.81%	-
3605	CIAC-TREAT/DISP EQUIP T	-	3.10%	-
3610	CIAC-TREAT/DISP EQUIP R	-	2.59%	-
3615	CIAC-PLANT SEWERS TRTMT	-	5.49%	-
3620	CIAC-PLANT SEWERS RCLM	-	5.87%	-
3625	CIAC-OUTFALL LINES	-	2.17%	-
3630	CIAC-OTHER PLT TANGIBLE	-	7.73%	-
3635	CIAC-OTHER PLT COLLECTI	-	5.99%	-
3640	CIAC-OTHER PLT PUMP	-	7.61%	-
3645	CIAC-OTHER PLT TREATMEN	-	7.61%	-
3650	CIAC-OTHER PLT RCLM WTR	-	7.79%	-
3655	CIAC-OTHER PLT RCLM WTR	-	1.50%	-
3660	CIAC-OFFICE STRUCTURE	-	2.24%	-
3665	CIAC-OFFICE FURN/EQPT	-	6.60%	-
3670	CIAC-STORES EQUIPMENT	-	6.24%	-
3675	CIAC-TOOL SHOP & MISC E	-	5.70%	-
3680	CIAC-LABORATORY EQPT	-	6.19%	-
3685	CIAC-POWER OPERATED EQU	-	5.41%	-
3690	CIAC-COMMUNICATION EQPT	-	15.35%	-
3695	CIAC-MISC EQUIP SEWER	-	6.76%	-
3700	CIAC-OTHER TANGIBLE PLT	(800)	7.58%	(61)
3705	CIAC-SEWER-TAP	(2,762,524)	2.36%	(65,196)
3710	CIAC-SWR MGMT FEE	(1,400)	2.36%	(33)
3712	CIAC-SWR LINE EXT FEE	-	1.50%	-
3715	CIAC-SWR RES CAP FEE	-	1.50%	-
3720	CIAC-SWR PLT MOD FEE	(548,444)	1.94%	(10,640)
3725	CIAC-SWR PLT MTR FEE	(780)	2.36%	(18)
Total CIAC Sewer		(14,169,797)		(279,897)
			Less: Per Books Amortization of CIAC	(234,352)
			ORS Adjustment #25 for Sewer	(45,545)

Blue Granite Water Company
Computation of Income Taxes
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

After Accounting & Pro Forma Adjustments				
	\$			\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	23,775,138	6,598,640	5,606,817	11,569,681
Less: Operating Expenses	25,441,157	8,288,741	4,996,410	12,156,006
Net Operating Income Before Taxes	(1,666,019)	(1,690,101)	610,407	(586,325)
Less: Annualized Interest Expense	2,001,300	339,351	491,641	1,170,308
Taxable Income - State	(3,667,319)	(2,029,452)	118,766	(1,756,633)
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	(183,367)	(101,473)	5,938	(87,832)
Less: State Income Taxes Per Book	(185,161)	(99,023)	23,613	(109,751)
ORS State Income Tax Adjustment #28	1,794	(2,450)	(17,675)	21,919
Taxable Income - Federal	(3,483,952)	(1,927,979)	112,828	(1,668,801)
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	(731,630)	(404,876)	23,694	(350,448)
Add: Excess Deferred Income Taxes Amortization	(129,064)	(38,454)	(37,714)	(52,896)
Less: Federal Income Taxes Per Book	(431,984)	(154,415)	(33,770)	(243,799)
ORS Federal Income Tax Adjustment #27	(428,710)	(288,915)	19,750	(159,545)
After Proposed Adjustments				
	\$	\$	\$	\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	32,142,806	9,213,628	6,778,831	16,150,347
Less: Operating Expenses	25,485,745	8,302,668	5,002,677	12,180,400
Net Operating Income Before Taxes	6,657,061	910,960	1,776,154	3,969,947
Less: Annualized Interest Expense	2,001,300	339,351	491,641	1,170,308
Taxable Income - State	4,655,761	571,609	1,284,513	2,799,639
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	232,788	28,580	64,226	139,982
Less: State Income Taxes As Adjusted	(183,367)	(101,473)	5,938	(87,832)
ORS State Income Tax Adjustment #46	416,155	130,053	58,288	227,814
Taxable Income - Federal	4,422,973	543,029	1,220,287	2,659,657
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	928,824	114,036	256,260	558,528
Add: Excess Deferred Income Taxes Amortization	(129,064)	(38,454)	(37,714)	(52,896)
Less: Federal Income Taxes As Adjusted	(860,694)	(443,330)	(14,020)	(403,344)
ORS Federal Income Tax Adjustment #45	1,660,454	518,912	232,566	908,976

Blue Granite Water Company
Cash Working Capital Allowance
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

After Accounting & Pro Forma Adjustments - ORS Traditional Adjustment

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Maintenance Expenses	14,794,166	5,236,063	2,215,910	7,342,193
General Expenses	4,667,960	1,604,001	1,033,767	2,030,192
Total Expenses for Computation	19,462,126	6,840,064	3,249,677	9,372,385
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Computed Cash Working Capital	2,432,766	855,008	406,210	1,171,548
Less: Cash Working Capital - Application Per Books	1,680,231	502,580	338,134	839,517
ORS Cash Working Capital Adjustment #35a.	<u>752,535</u>	<u>352,428</u>	<u>68,076</u>	<u>332,031</u>

After Accounting & Pro Forma Adjustments - Company Mitigation Adjustment - Removing Purchased Water & Sewer

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Less: Purchased Water and Sewer	(8,424,930)	(3,531,463)	(837,840)	(4,055,627)
Allowable Rate	12.50%	12.50%	12.50%	12.50%
ORS Cash Working Capital Adjustment #35b.	<u>(1,053,116)</u>	<u>(441,433)</u>	<u>(104,730)</u>	<u>(506,953)</u>

Blue Granite Water Company
Return on Equity
Docket No. 2019-290-WS
Capital Structure at June 30, 2019

Combined Operations

Description	Capital Structure Ratio		Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 251,780,649	47.09%	\$ 30,211,785	5.73%	2.70%	\$ 1,731,135	\$ 34,926,710	5.73%	2.70%	\$ 2,001,300	\$ 34,926,710	5.73%	2.70%	\$ 2,001,300
Common Equity	282,859,007	52.91%	33,945,753	-4.40%	-2.33%	(1,492,639)	39,243,412	-6.68%	-3.53%	(2,623,258)	39,243,412	9.45%	5.00%	3,707,754
Totals	\$ 534,639,656	100.00%	\$ 64,157,538		0.37%	\$ 238,496	\$ 74,170,122		-0.83%	\$ (621,958)	\$ 74,170,122		7.70%	\$ 5,709,054

Water Terr. 1 Operations

Description	Capital Structure Ratio		Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 251,780,649	47.09%	\$ 4,872,256	5.73%	2.70%	\$ 279,180	\$ 5,922,354	5.73%	2.70%	\$ 339,351	\$ 5,922,354	5.73%	2.70%	\$ 339,351
Common Equity	282,859,007	52.91%	5,474,433	-34.09%	-18.04%	(1,866,046)	6,654,316	-22.31%	-11.80%	(1,484,649)	6,654,316	7.27%	3.85%	483,899
Totals	\$ 534,639,656	100.00%	\$ 10,346,689		-15.34%	\$ (1,586,866)	\$ 12,576,670		-9.10%	\$ (1,145,298)	\$ 12,576,670		6.55%	\$ 823,250

Water Terr. 2 Operations

Description	Capital Structure Ratio		Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 251,780,649	47.09%	\$ 8,218,417	5.73%	2.70%	\$ 470,915	\$ 8,580,128	5.73%	2.70%	\$ 491,641	\$ 8,580,128	5.73%	2.70%	\$ 491,641
Common Equity	282,859,007	52.91%	9,234,156	3.25%	1.72%	299,815	9,640,573	1.32%	0.70%	126,848	9,640,573	10.40%	5.50%	1,003,091
Totals	\$ 534,639,656	100.00%	\$ 17,452,573		4.42%	\$ 770,730	\$ 18,220,701		3.40%	\$ 618,489	\$ 18,220,701		8.20%	\$ 1,494,732

Sewer Operations

Description	Capital Structure Ratio		Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 251,780,649	47.09%	\$ 17,121,112	5.73%	2.70%	\$ 981,040	\$ 20,424,228	5.73%	2.70%	\$ 1,170,308	\$ 20,424,228	5.73%	2.70%	\$ 1,170,308
Common Equity	282,859,007	52.91%	19,237,164	0.38%	0.20%	73,592	22,948,523	-5.51%	-2.92%	(1,265,457)	22,948,523	9.68%	5.12%	2,220,764
Totals	\$ 534,639,656	100.00%	\$ 36,358,276		2.90%	\$ 1,054,632	\$ 43,372,751		-0.22%	\$ (95,149)	\$ 43,372,751		7.82%	\$ 3,391,072

Note 1: The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$		(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>						
Service Revenues - Water	11,868,922	280,468	(1)	12,149,390	5,462,340	(40) 17,611,730
Service Revenues - Sewer	10,929,933	504,321	(2)	11,434,254	6,363,717	(41) 17,797,971
Miscellaneous Revenues	445,566	4,043	(3)	449,609	85,668	(42) 535,277
Uncollectible Accounts	(250,471)	(7,644)	(4)	(258,115)	(126,032)	(43) (384,147)
<u>Total Operating Revenues</u>	22,993,950	781,188		23,775,138	11,785,693	35,560,831
<u>Maintenance Expenses</u>						
Salaries and Wages	2,670,783	(1,344,062)	(5)	1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6)	(259,809)	0	(259,809)
Purchased Power	771,660	0	(7)	771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	3,158,206	(8)	8,424,930	0	8,424,930
Maintenance and Repair	3,031,412	937,334	(9)	3,968,746	0	3,968,746
Maintenance Testing	314,455	(174,416)	(10)	140,039	0	140,039
Meter Reading	112,607	(72,815)	(11)	39,792	0	39,792
Chemicals	360,819	(99,043)	(12)	261,776	0	261,776
Transportation	238,985	(118,674)	(13)	120,311	0	120,311
Operating Exp. Charged to Plant	0	0		0	0	0
<u>Total Maintenance Expenses</u>	12,434,022	2,360,144		14,794,166	0	14,794,166
<u>General Expenses</u>						
Salaries and Wages	871,623	538,807	(14)	1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,564,724)	(15)	416,007	0	416,007
Regulatory Commission Exp.	138,293	61,813	(16)	200,106	0	200,106
Pension & Other Benefits	779,623	(165,041)	(17)	614,582	0	614,582
Rent	97,022	84,839	(18)	181,861	0	181,861
Insurance	348,323	163,371	(19)	511,694	0	511,694
Office Utilities	491,952	(98,634)	(20)	393,318	0	393,318
Outside Services - Other	1,062,984	(188,889)	(21)	874,095	0	874,095
Non-Utility Misc Expense	442,691	(442,691)	(22)	0	0	0
Miscellaneous	61,301	4,566	(23)	65,867	0	65,867
<u>Total General Expenses</u>	6,274,543	(1,606,583)		4,667,960	0	4,667,960
Depreciation	1,788,412	1,494,488	(24)	3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(25)	(945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	166,467	(26)	3,666,054	62,808	(44) 3,728,862
Income Taxes - Federal	(431,984)	(428,710)	(27)	(860,694)	2,338,716	(45) 1,478,022
Income Taxes - State	(185,161)	1,794	(28)	(183,367)	586,145	(46) 402,778
Sale of Utility Property	(20,253)	20,253	(29)	0	0	0
Amort. Investment Tax Credit	(8,854)	0		(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0		(15,713)	0	(15,713)
<u>Total Other Expenses</u>	4,219,524	715,446		4,934,970	2,987,669	7,922,639
<u>Total Operating Expenses</u>	22,928,089	1,469,007		24,397,096	2,987,669	27,384,765
<u>Net Operating Income</u>	65,861	(687,819)		(621,958)	8,798,024	8,176,066
Customer Growth	0	0	(30)	0	125,169	(47) 125,169
Interest During Construction	(172,635)	172,635	(31)	0	0	0
<u>Net Income (Loss) For Return</u>	238,496	(860,454)		(621,958)	8,923,193	8,301,235
<u>Original Cost Rate Base:</u>						
Gross Plant In Service	103,656,698	415,288	(32)	104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(33)	(12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049		91,218,902	0	91,218,902
Deferred Charges	0	4,818,974	(34)	4,818,974	0	4,818,974
Cash Working Capital	1,680,231	(300,581)	(35)	1,379,650	0	1,379,650
Contributions In Aid of Construction	(20,300,003)	2,205,788	(36)	(18,094,215)	0	(18,094,215)
Accumulated Deferred Income Taxes	(3,522,916)	0		(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0		(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37)	0	0	0
Plant Acquisition Adjustment	(831,277)	0		(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38)	(464,646)	0	(464,646)
<u>Total Rate Base</u>	64,157,538	10,012,584		74,170,122	0	74,170,122
<u>Return on Rate Base</u>	0.37%			-0.84%		11.19%
<u>Operating Margin</u>	-6.91%			-11.03%		17.72%
<u>Interest Expense</u>	1,828,315	172,985	(39)	2,001,300	0	2,001,300

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Water Service Territory 1
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	6,307,416	272,372 (1)	6,579,788	3,519,666 (40)	10,099,454
Miscellaneous Revenues	84,940	(290) (3)	84,650	12,210 (42)	96,860
Uncollectible Accounts	(62,865)	(2,933) (4)	(65,798)	(35,197) (43)	(100,995)
<u>Total Operating Revenues</u>	6,329,491	269,149	6,598,640	3,496,679	10,095,319
<u>Maintenance Expenses</u>					
Salaries and Wages	842,497	(484,042) (5)	358,455	0	358,455
Capitalized Time	(101,347)	25,726 (6)	(75,621)	0	(75,621)
Purchased Power	72,278	0 (7)	72,278	0	72,278
Purchased Water - Pass Through	2,859,944	671,519 (8)	3,531,463	0	3,531,463
Maintenance and Repair	628,927	577,996 (9)	1,206,923	0	1,206,923
Maintenance Testing	40,064	(33,212) (10)	6,852	0	6,852
Meter Reading	31,148	(44,196) (11)	(13,048)	0	(13,048)
Chemicals	132,225	(25,360) (12)	106,865	0	106,865
Transportation	84,341	(42,445) (13)	41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	4,590,077	645,986	5,236,063	0	5,236,063
<u>General Expenses</u>					
Salaries and Wages	308,198	191,693 (14)	499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(644,604) (15)	144,387	0	144,387
Regulatory Commission Exp.	48,900	21,996 (16)	70,896	0	70,896
Pension & Other Benefits	275,491	(94,905) (17)	180,586	0	180,586
Rent	25,824	30,338 (18)	56,162	0	56,162
Insurance	123,183	58,173 (19)	181,356	0	181,356
Office Utilities	167,049	(35,121) (20)	131,928	0	131,928
Outside Services - Other	374,956	(58,653) (21)	316,303	0	316,303
Non-Utility Misc Expense	156,637	(156,637) (22)	0	0	0
Miscellaneous	21,275	1,217 (23)	22,492	0	22,492
<u>Total General Expenses</u>	2,290,504	(686,503)	1,604,001	0	1,604,001
Depreciation	464,276	539,028 (24)	1,003,304	0	1,003,304
Amortization of CIAC	(164,957)	(467,848) (25)	(632,805)	0	(632,805)
Taxes Other Than Income	1,111,788	(15,892) (26)	1,095,896	18,623 (44)	1,114,519
Income Taxes - Federal	(154,415)	(288,915) (27)	(443,330)	693,873 (45)	250,543
Income Taxes - State	(99,023)	(2,450) (28)	(101,473)	173,903 (46)	72,430
Sale of Utility Property	(29,922)	29,922 (29)	0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
<u>Total Other Expenses</u>	1,110,029	(206,155)	903,874	886,399	1,790,273
<u>Total Operating Expenses</u>	7,990,610	(246,672)	7,743,938	886,399	8,630,337
<u>Net Operating Income</u>	(1,661,119)	515,821	(1,145,298)	2,610,280	1,464,982
Customer Growth	0	0 (30)	0	29,874 (47)	29,874
Interest During Construction	(74,253)	74,253 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	(1,586,866)	441,568	(1,145,298)	2,640,154	1,494,856
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	25,669,070	1,152,082 (32)	26,821,152	0	26,821,152
Accumulated Depreciation	(5,359,140)	1,188,052 (33)	(4,171,088)	0	(4,171,088)
Net Plant In Service	20,309,930	2,340,134	22,650,064	0	22,650,064
Deferred Charges	0	(168,135) (34)	(168,135)	0	(168,135)
Cash Working Capital	502,580	(89,005) (35)	413,575	0	413,575
Contributions In Aid of Construction	(8,780,986)	370,017 (36)	(8,410,969)	0	(8,410,969)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030) (38)	(223,030)	0	(223,030)
<u>Total Rate Base</u>	10,346,689	2,229,981	12,576,670	0	12,576,670
<u>Return on Rate Base</u>	-15.34%		-9.11%		11.89%
<u>Operating Margin</u>	-33.96%		-22.50%		11.45%
<u>Interest Expense</u>	562,651	(223,300) (39)	339,351	0	339,351

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Water Service Territory 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,561,506	8,096	(1) 5,569,602	1,942,674	(40) 7,512,276
Miscellaneous Revenues	115,189	0	(3) 115,189	11,495	(42) 126,684
Uncollectible Accounts	(77,873)	(101)	(4) (77,974)	(27,198)	(43) (105,172)
<u>Total Operating Revenues</u>	5,598,822	7,995	5,606,817	1,926,971	7,533,788
<u>Maintenance Expenses</u>					
Salaries and Wages	668,288	(264,947)	(5) 403,341	0	403,341
Capitalized Time	(71,806)	12,190	(6) (59,616)	0	(59,616)
Purchased Power	180,096	0	(7) 180,096	0	180,096
Purchased Water - Pass Through	761,771	76,069	(8) 837,840	0	837,840
Maintenance and Repair	440,252	261,585	(9) 701,837	0	701,837
Maintenance Testing	97,005	(48,101)	(10) 48,904	0	48,904
Meter Reading	45,376	(9,488)	(11) 35,888	0	35,888
Chemicals	54,966	(14,317)	(12) 40,649	0	40,649
Transportation	52,482	(25,511)	(13) 26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	2,228,430	(12,520)	2,215,910	0	2,215,910
<u>General Expenses</u>					
Salaries and Wages	192,149	115,859	(14) 308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(175,329)	(15) 94,969	0	94,969
Regulatory Commission Exp.	30,488	13,278	(16) 43,766	0	43,766
Pension & Other Benefits	172,239	(5,031)	(17) 167,208	0	167,208
Rent	38,829	17,965	(18) 56,794	0	56,794
Insurance	76,740	35,004	(19) 111,744	0	111,744
Office Utilities	110,492	(21,368)	(20) 89,124	0	89,124
Outside Services - Other	235,453	(89,262)	(21) 146,191	0	146,191
Non-Utility Misc Expense	97,387	(97,387)	(22) 0	0	0
Miscellaneous	14,337	1,626	(23) 15,963	0	15,963
<u>Total General Expenses</u>	1,238,412	(204,645)	1,033,767	0	1,033,767
Depreciation	408,578	389,640	(24) 798,218	0	798,218
Amortization of CIAC	(7,201)	(25,453)	(25) (32,654)	0	(32,654)
Taxes Other Than Income	992,688	(13,083)	(26) 979,605	10,304	(44) 989,909
Income Taxes - Federal	(33,770)	19,750	(27) (14,020)	382,375	(45) 368,355
Income Taxes - State	23,613	(17,675)	(28) 5,938	95,834	(46) 101,772
Sale of Utility Property	(18,297)	18,297	(29) 0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0	1,564	0	1,564
<u>Total Other Expenses</u>	1,367,175	371,476	1,738,651	488,513	2,227,164
<u>Total Operating Expenses</u>	4,834,017	154,311	4,988,328	488,513	5,476,841
<u>Net Operating Income</u>	764,805	(146,316)	618,489	1,438,458	2,056,947
Customer Growth	0	0	(30) 0	1,859	(47) 1,859
Interest During Construction	(5,925)	5,925	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	770,730	(152,241)	618,489	1,440,317	2,058,806
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	22,208,337	1,053,999	(32) 23,262,336	0	23,262,336
Accumulated Depreciation	(3,277,394)	342,050	(33) (2,935,344)	0	(2,935,344)
Net Plant In Service	18,930,943	1,396,049	20,326,992	0	20,326,992
Deferred Charges	0	(601,264)	(34) (601,264)	0	(601,264)
Cash Working Capital	338,134	(36,654)	(35) 301,480	0	301,480
Contributions In Aid of Construction	(351,720)	9,997	(36) (341,723)	0	(341,723)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0	(38) 0	0	0
<u>Total Rate Base</u>	17,452,573	768,128	18,220,701	0	18,220,701
<u>Return on Rate Base</u>	4.42%		3.39%		11.30%
<u>Operating Margin</u>	4.29%		2.26%		20.80%
<u>Interest Expense</u>	530,582	(38,941)	(39) 491,641	0	491,641

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Sewer Service Territory 1 and 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	6,363,717 (41)	17,797,971
Miscellaneous Revenues	245,437	4,333	(3) 249,770	61,963 (42)	311,733
Uncollectible Accounts	(109,733)	(4,610)	(4) (114,343)	(63,637) (43)	(177,980)
<u>Total Operating Revenues</u>	11,065,637	504,044	11,569,681	6,362,043	17,931,724
<u>Maintenance Expenses</u>					
Salaries and Wages	1,159,998	(595,073)	(5) 564,925	0	564,925
Capitalized Time	(160,270)	35,698	(6) (124,572)	0	(124,572)
Purchased Power	519,286	0	(7) 519,286	0	519,286
Purchased Sewer	1,645,009	2,410,618	(8) 4,055,627	0	4,055,627
Maintenance and Repair	1,962,233	97,753	(9) 2,059,986	0	2,059,986
Maintenance Testing	177,386	(93,103)	(10) 84,283	0	84,283
Meter Reading	36,083	(19,131)	(11) 16,952	0	16,952
Chemicals	173,628	(59,366)	(12) 114,262	0	114,262
Transportation	102,162	(50,718)	(13) 51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	5,615,515	1,726,678	7,342,193	0	7,342,193
<u>General Expenses</u>					
Salaries and Wages	371,276	231,255	(14) 602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(744,791)	(15) 176,651	0	176,651
Regulatory Commission Exp.	58,905	26,539	(16) 85,444	0	85,444
Pension & Other Benefits	331,893	(65,105)	(17) 266,788	0	266,788
Rent	32,369	36,536	(18) 68,905	0	68,905
Insurance	148,400	70,194	(19) 218,594	0	218,594
Office Utilities	214,411	(42,145)	(20) 172,266	0	172,266
Outside Services - Other	452,575	(40,974)	(21) 411,601	0	411,601
Non-Utility Misc Expense	188,667	(188,667)	(22) 0	0	0
Miscellaneous	25,689	1,723	(23) 27,412	0	27,412
<u>Total General Expenses</u>	2,745,627	(715,435)	2,030,192	0	2,030,192
Depreciation	915,558	565,820	(24) 1,481,378	0	1,481,378
Amortization of CIAC	(234,352)	(45,545)	(25) (279,897)	0	(279,897)
Taxes Other Than Income	1,395,111	195,442	(26) 1,590,553	33,881 (44)	1,624,434
Income Taxes - Federal	(243,799)	(159,545)	(27) (403,344)	1,262,468 (45)	859,124
Income Taxes - State	(109,751)	21,919	(28) (87,832)	316,408 (46)	228,576
Sale of Utility Property	27,966	(27,966)	(29) 0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<u>Total Other Expenses</u>	1,742,320	550,125	2,292,445	1,612,757	3,905,202
<u>Total Operating Expenses</u>	10,103,462	1,561,368	11,664,830	1,612,757	13,277,587
<u>Net Operating Income</u>	962,175	(1,057,324)	(95,149)	4,749,286	4,654,137
Customer Growth	0	0	(30) 0	93,436 (47)	93,436
Interest During Construction	(92,457)	92,457	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	1,054,632	(1,149,781)	(95,149)	4,842,722	4,747,573
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	55,779,291	(1,790,793)	(32) 53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	1,807,659	(33) (5,746,652)	0	(5,746,652)
Net Plant In Service	48,224,980	16,866	48,241,846	0	48,241,846
Deferred Charges	0	5,588,373	(34) 5,588,373	0	5,588,373
Cash Working Capital	839,517	(174,922)	(35) 664,595	0	664,595
Contributions In Aid of Construction	(11,167,297)	1,825,774	(36) (9,341,523)	0	(9,341,523)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0	(37) 0	0	-
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616)	(38) (241,616)	0	(241,616)
<u>Total Rate Base</u>	36,358,276	7,014,475	43,372,751	0	43,372,751
<u>Return on Rate Base</u>	2.90%		-0.22%		10.95%
<u>Operating Margin</u>	2.89%		-10.94%		19.95%
<u>Interest Expense</u>	735,082	435,226	(39) 1,170,308	0	1,170,308